TOP SPRING INTERNATIONAL HOLDINGS LIMITED
萊蒙國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3688)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

HIGHLIGHTS

- For the six months ended 30 June 2011, the Group achieved contracted sales of approximately RMB2,187.2 million (equivalent to approximately HK$2,599.8 million) with contracted saleable GFA of 126,687 sq.m., representing an increase of approximately 19% and a decrease of approximately 3%, respectively, as compared with the corresponding period of 2010. For the period from 1 January 2011 to 19 August 2011, the Group has achieved contracted sales of approximately RMB3,304.5 million (equivalent to approximately HK$3,927.9 million) with contracted saleable GFA of 198,799 sq.m..

- Turnover for the six months ended 30 June 2011 increased by approximately 14 times, to approximately HK$3,103.1 million from approximately HK$204.4 million for the corresponding period of 2010.

- Gross profit margin for the six months ended 30 June 2011 rose to approximately 66% from approximately 19% for the six months ended 30 June 2010. Gross profit for the six months ended 30 June 2011 amounted to approximately HK$2,048.9 million, representing a growth of approximately 52 times as compared with the six months ended 30 June 2010.

- During the six months ended 30 June 2011, rental income from investment properties amounted to approximately HK$50.5 million, representing a growth of approximately 28% from HK$39.6 million for the six months ended 30 June 2010. The occupancy rate of our investment properties which are under operation achieved 100% as at 30 June 2011. As at 30 June 2011, the fair value of these properties was approximately HK$2,227.4 million with the revaluation gains (net of deferred tax) of approximately HK$30.0 million for the period under review.

- For the six months ended 30 June 2011, profit attributable to equity shareholders of the Company was approximately HK$562.7 million.

- Basic earnings per share for the six months ended 30 June 2011 was approximately HK63.35 cents.

- The Board of Directors has declared interim dividend of HK15 cents per share (30 June 2010: nil).

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Top Spring International Holdings Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2011 – UNAUDITED

		Six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Turnover	*3 & 4*	**3,103,099**	204,367
Direct costs		**(1,054,241)**	(166,000)
Gross profit		**2,048,858**	38,367
Valuation gains on investment properties		**40,042**	14,310
Other revenue	*5*	**21,643**	4,388
Other net (loss)/income	*6*	**(1,731)**	61,855
Selling and marketing expenses		**(83,534)**	(38,442)
Administrative expenses		**(195,602)**	(93,768)
Profit/(loss) from operations		**1,829,676**	(13,290)
Finance costs	*7(a)*	**(115,666)**	(20,497)
Share of profits less losses of associates		**(2,673)**	–
Profit/(loss) before taxation	*7*	**1,711,337**	(33,787)
Income tax	*8*	**(1,148,875)**	(18,179)
Profit/(loss) for the period		**562,462**	(51,966)
Attributable to:			
Equity shareholders of the Company		**562,738**	(53,439)
Non-controlling interests		**(276)**	1,473
Profit/(loss) for the period		**562,462**	(51,966)
Basic earnings/(loss) per share (HK cents)	*9*	**63.35**	(7.13)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011 – UNAUDITED

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit/(loss) for the period	**562,462**	(51,966)
Other comprehensive income for the period		
Exchange differences on translation of financial statements of PRC subsidiaries, net of nil tax	**64,693**	26,988
Share of other comprehensive income of associates	**1,778**	796
	66,471	27,784
Total comprehensive income for the period	**628,933**	(24,182)
Attributable to:		
Equity shareholders of the Company	**629,213**	(30,813)
Non-controlling interests	**(280)**	6,631
Total comprehensive income for the period	**628,933**	(24,182)

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2011

	Note	At 30 June 2011 (unaudited) *HK$'000*	At 31 December 2010 (audited) *HK$'000*
Non-current assets			
Fixed assets			
– Investment properties		**2,329,521**	2,253,221
– Other property, plant and equipment		**554,114**	533,740
– Interests in leasehold land held for own use under operating leases		**19,241**	19,519
		2,902,876	2,806,480
Interests in associates		**375,525**	104,170
Other financial assets		**31,396**	30,981
Pledged deposits		**180,600**	177,563
Deferred tax assets		**546,332**	295,030
		4,036,729	3,414,224
Current assets			
Inventories		**7,104,828**	5,096,696
Other financial assets		**–**	94,697
Trade and other receivables	*10*	**486,975**	901,230
Pledged deposits		**1,661,279**	1,744,788
Cash and cash equivalents		**5,180,190**	3,291,157
		14,433,272	11,128,568
Current liabilities			
Trade and other payables	*11*	**4,311,775**	5,496,927
Bank loans		**2,644,806**	2,882,969
Tax payable		**2,863,943**	1,764,063
		9,820,524	10,143,959

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2011 (CONTINUED)

	Note	At 30 June 2011 (unaudited) *HK$'000*	At 31 December 2010 (audited) *HK$'000*
Net current assets		**4,612,748**	984,609
Total assets less current liabilities		**8,649,477**	4,398,833
Non-current liabilities			
Bank and other loans		**5,512,102**	3,482,822
Deferred tax liabilities		**196,818**	153,144
		5,708,920	3,635,966
NET ASSETS		**2,940,557**	762,867
CAPITAL AND RESERVES			
Share capital	*12*	**100,041**	24
Reserves		**2,825,746**	762,843
Total equity attributable to equity shareholders of the Company		**2,925,787**	762,867
Non-controlling interests		**14,770**	–
TOTAL EQUITY		**2,940,557**	762,867

NOTES:

1 GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 August 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a reorganisation of the Group (the "Reorganisation") which was completed on 3 December 2010 to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 11 March 2011 (the "Prospectus"). The Company's shares were listed on the Stock Exchange on 23 March 2011 (the "Listing Date").

The Group is regarded as a continuing entity resulting from the Reorganisation under common control and has been accounted for on the basis of merger accounting. The interim financial report of the Group has been prepared as if the current group structure had been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2011 but are extracted from those financial statements.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The comparative amounts of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement in respect of the six months ended 30 June 2010 and the related notes disclosed in the interim financial report were derived from the Group's management accounts and have not been audited nor reviewed.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of the interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (product and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reporting segments.

- Property development: this segment develops and sells residential properties and shops within the shopping arcades.
- Property leasing: this segment leases shopping arcades and club houses to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the People's Republic of China ("PRC").
- Hotel operations: this segment operates hotels to provide hotel services to general public.
- Property management and related services: this segment mainly provides property management and related services to purchasers and tenants of the Group's own developed residential properties and shopping arcades.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, non-current and current assets with the exception of interests in associates, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the construction activities of the individual segments and bank borrowings managed directly by the segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interests, taxes, depreciation and amortisation". To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

3 SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Property development		Property leasing		Hotel operations		Property management and related services		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
For the six months ended 30 June										
Revenue from external customers	**2,985,065**	119,806	**50,472**	39,570	**43,821**	31,116	**23,741**	13,875	**3,103,099**	204,367
Inter-segment revenue	**–**	–	**8,029**	8,386	**–**	–	**43,538**	18,456	**51,567**	26,842
Reportable segment revenue	**2,985,065**	119,806	**58,501**	47,956	**43,821**	31,116	**67,279**	32,331	**3,154,666**	231,209
Reportable segment profit/(loss) (adjusted EBITDA)	**1,863,584**	(77,823)	**12,630**	24,110	**14,972**	7,363	**(18,146)**	(17,363)	**1,873,040**	(63,713)
Interest income from bank deposits	**14,460**	1,616	**1,525**	131	**–**	–	**3,206**	379	**19,191**	2,126
Interest expense	**(32,836)**	(10,168)	**(22,576)**	(4,192)	**–**	–	**–**	–	**(55,412)**	(14,360)
Depreciation and amortisation for the period	**(4,925)**	(2,390)	**(1,577)**	(396)	**(14,589)**	(13,191)	**(1,561)**	(1,454)	**(22,652)**	(17,431)
Valuation gains on investment properties	**–**	–	**40,042**	14,310	**–**	–	**–**	–	**40,042**	14,310
At 30 June/31 December										
Reportable segment assets	**10,059,067**	9,108,612	**5,138,491**	3,780,224	**454,073**	460,964	**199,995**	522,935	**15,851,626**	13,872,735
Additions to non-current segment assets during the period/year	**2,190**	29,086	**3,112**	28,832	**12,074**	–	**500**	500	**17,876**	58,418
Reportable segment liabilities	**(10,752,140)**	(11,494,396)	**(58,560)**	(61,329)	**–**	–	**(1,826)**	(9,355)	**(10,812,526)**	(11,565,080)

3 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**3,154,666**	231,209
Elimination of inter-segment revenue	**(51,567)**	(26,842)
Consolidated turnover	**3,103,099**	204,367
Profit/(loss)		
Reportable segment profit/(loss) derived from Group's external customers	**1,873,040**	(63,713)
Share of profits less losses of associates	**(2,673)**	–
Other revenue and net (loss)/income	**19,912**	66,243
Depreciation and amortisation	**(23,306)**	(17,431)
Finance costs	**(115,666)**	(20,497)
Valuation gains on investment properties	**40,042**	14,310
Unallocated head office and corporate expenses	**(80,012)**	(12,699)
Consolidated profit/(loss) before taxation	**1,711,337**	(33,787)

	At 30 June 2011 (unaudited)	At 31 December 2010 (audited)
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**15,851,626**	13,872,735
Interests in associates	**375,525**	104,170
Other financial assets	**31,396**	125,678
Deferred tax assets	**546,332**	295,030
Unallocated head office and corporate assets	**1,665,122**	145,179
Consolidated total assets	**18,470,001**	14,542,792
Liabilities		
Reportable segment liabilities	**(10,812,526)**	(11,565,080)
Tax payable	**(2,863,943)**	(1,764,063)
Deferred tax liabilities	**(196,818)**	(153,144)
Unallocated head office and corporate liabilities	**(1,656,157)**	(297,638)
Consolidated total liabilities	**(15,529,444)**	(13,779,925)

(c) Geographic information

No geographic information has been presented as the Group's operating activities are largely carried out in the PRC.

4 TURNOVER

The principal activities of the Group are property development, property leasing, hotel operations and provision of property management and related services.

Turnover represents income from sale of properties, rental income, income from hotel operations and income from provision of property management and related services earned during the period, net of business tax and other sales related taxes and discounts allowed, and is analysed as follows:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Sale of properties	**2,985,065**	119,806
Rental income	**50,472**	39,570
Hotel operations	**43,821**	31,116
Property management and related services income	**23,741**	13,875
	3,103,099	204,367

5 OTHER REVENUE

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Bank interest income	**19,191**	2,982
Other interest income	**–**	125
Rental income from operating leases, other than those relating to investment properties	**987**	235
Others	**1,465**	1,046
	21,643	4,388

6 OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Net exchange loss	**(1,723)**	(2,568)
Net gain on disposal of a subsidiary	**–**	64,457
Net loss on disposal of fixed assets	**–**	(26)
Others	**(8)**	(8)
	(1,731)	61,855

7 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans and other borrowings wholly repayable:		
– within five years	**232,509**	127,715
– after five years	**31,934**	–
	264,443	127,715
Other borrowing costs	**9,429**	8,554
	273,872	136,269
Less: Amount capitalised	**(158,206)**	(115,772)
	115,666	20,497
(b) Staff costs		
Salaries, wages and other benefits	**32,471**	51,046
Contributions to defined contribution retirement plans	**4,715**	2,977
Equity settled share-based payment expenses	**39,488**	–
	76,674	54,023
(c) Other items		
Depreciation and amortisation	**23,343**	17,508
Less: Amount capitalised	**(37)**	(77)
	23,306	17,431
Cost of properties sold	**975,333**	110,924
Rental income from investment properties	**(50,472)**	(39,570)
Less: Direct outgoings	**5,086**	5,923
	(45,386)	(33,647)
Impairment loss for bad debts	**11,881**	21
Other rental income less direct outgoings	**(987)**	(235)
Operating lease charges: minimum lease payments for land and buildings	**4,971**	2,839

8 INCOME TAX

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current tax		
Provision for PRC Corporate Income Tax ("CIT")	**519,073**	25,552
Provision for Land Appreciation Tax ("LAT")	**833,085**	(3,912)
	1,352,158	21,640
Deferred tax		
Origination and reversal of temporary differences	**(203,283)**	(3,461)
	1,148,875	18,179

Pursuant to the rules and regulations of the British Virgin Islands ("BVI") and Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

No provision was made for Hong Kong Profits Tax as the Group's Hong Kong subsidiaries either sustained losses for taxation purposes or had tax losses brought forward from previous periods which exceeded the estimated assessable profits for the six months ended 30 June 2010 and 2011.

The provision for CIT is based on the respective applicable CIT rates on the estimated assessable profits of the PRC subsidiaries within the Group as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable CIT rates were 24% to 25% for the six months ended 30 June 2011 (2010: 22% to 25%).

LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sale of properties less deductible expenditures including lease charges of land use right, borrowing costs and all qualified property development expenditures.

9 BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of HK$562,738,000 (2010: loss of HK$53,439,000) and the weighted average number of 888,297,456 shares (2010: 750,000,000 shares) in issue during the period.

The weighted average number of shares in issue during the six months ended 30 June 2011 is based on the assumption that 750,000,000 shares of the Company are in issue and issuable, comprising 235,294 shares in issue and 749,764,706 shares to be issued pursuant to the capitalisation issue, as if the shares were outstanding throughout the period from 1 January 2011 to the Listing Date, 250,000,000 shares issued under the initial public offering ("IPO") and 413,500 shares issued upon the exercise of the over-allotment option in connection with the IPO. The weighted average number of shares in issue during the six months ended 30 June 2010 is based on the assumption that 750,000,000 shares of the Company are in issue and issuable, comprising 235,294 shares in issue and 749,764,706 shares to be issued pursuant to the capitalisation issue, as if the shares were outstanding throughout that period.

9 **BASIC EARNINGS/(LOSS) PER SHARE (CONTINUED)**

	Six months ended 30 June	
	2011	2010
	'000	*'000*
Weighted average number of shares		
Issued ordinary shares	**235**	235
Capitalisation issue *(Note 12(i))*	**749,765**	749,765
Effect of issuance of new shares under IPO *(Notes 12(ii) and (iii))*	**138,297**	–
Weighted average number of shares	**888,297**	750,000

The pre-IPO share options outstanding during the period have no dilutive effects on earnings per share for the six months ended 30 June 2011. There were no potential dilutive ordinary shares in existence for the six months ended 30 June 2010.

10 **TRADE AND OTHER RECEIVABLES**

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	At 30 June 2011 (unaudited)	At 31 December 2010 (audited)
	HK$'000	*HK$'000*
Current or under 1 month overdue	**47,739**	56,664
More than 1 month overdue and up to 3 months overdue	**2,054**	15,104
More than 3 months overdue and up to 6 months overdue	**2,461**	7,826
More than 6 months overdue and up to 1 year overdue	**1,129**	5,578
More than 1 year overdue	**6,895**	8,589
	60,278	93,761

The Group maintains a defined credit policy and the exposures to the credit risks are monitored on an ongoing basis. In respect of rental income from leasing properties, sufficient rental deposits are held to cover potential exposure to credit risk. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables.

11 TRADE AND OTHER PAYABLES

	At 30 June 2011 (unaudited) *HK$'000*	At 31 December 2010 (audited) *HK$'000*
Creditors and accrued charges	**1,272,388**	1,320,389
Rental and other deposits	**51,743**	56,669
Receipts in advance	**2,987,644**	4,074,316
Amounts due to related companies	**–**	45,553
	4,311,775	5,496,927

Included in trade and other payables are trade creditors with the following ageing analysis at the balance sheet date:

	At 30 June 2011 (unaudited) *HK$'000*	At 31 December 2010 (audited) *HK$'000*
Due within 1 month or on demand	**396,920**	719,530
Due after 1 month but within 3 months	**9,057**	2,008
Due after 3 months but within 6 months	**48,583**	15,195
Due after 6 months but within 1 year	**187,633**	17,094
Due after 1 year	**250,932**	196,607
	893,125	950,434

12 SHARE CAPITAL

	At 30 June 2011 (unaudited)		At 31 December 2010 (audited)	
	No. of shares *'000*	Amount *HK$'000*	No. of shares *'000*	Amount *HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000**	**500,000**	5,000,000	500,000
Ordinary shares, issued and fully paid:				
At 1 January	**234**	**24**	117	12
Arising from Reorganisation	**–**	**–**	117	12
Capitalisation issue *(Note (i))*	**749,766**	**74,976**	–	–
Issuance of new shares under IPO *(Notes (ii) and (iii))*	**250,414**	**25,041**	–	–
At 30 June/31 December	**1,000,414**	**100,041**	234	24

Notes:

(i) On 28 February 2011, pursuant to a written resolution of the shareholders, the Company allotted and issued 749,764,706 shares of HK$0.10 each to the then existing shareholders of the Company. This resolution was conditional on the share premium account being credited as a result of the Company's IPO and pursuant to this resolution, a sum of HK$74,976,000 standing to the credit of the share premium account was subsequently applied in paying up this capitalisation in full.

(ii) On 23 March 2011, the Company was successfully listed on the Stock Exchange following the completion of its IPO of 250,000,000 shares of HK$0.10 each issued at a price of HK$6.23 per share. The proceeds of HK$25,000,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$1,466,752,000, after the issuing expenses of HK$65,748,000, were credited to the share premium account.

(iii) On 15 April 2011, the Company issued 413,500 shares of HK$0.10 each, at a price of HK$6.23 per share upon the exercise of the over-allotment option in connection with the IPO. The proceeds of HK$41,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$2,426,000, after the issuing expenses of HK$109,000, were credited to the share premium account.

13 CAPITAL COMMITMENTS

	At 30 June 2011 (unaudited) ***HK$'000***	At 31 December 2010 (audited) *HK$'000*
Contracted for	**1,159,199**	3,265,516
Authorised but not contracted for	**–**	8,303
	1,159,199	3,273,819

Capital commitments mainly related to development expenditure for the Group's properties under development.

In addition, the Group was committed at 30 June 2011 to make donations of HK$5,898,000 (31 December 2010: HK$7,102,000) to a charitable institution of RMB1,000,000 per annum until 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The Group is specializing in the development and operation of urban mixed-use communities and the development and sale of middle to high end residential properties in the Pearl River Delta, Yangtze River Delta, Beijing-Tianjin and Chengdu-Chongqing regions in the PRC.

During the six months ended 30 June 2011, the Group recorded a turnover of approximately HK$3,103.1 million, representing an increase of approximately 14 times, as compared to the six months ended 30 June 2010. During the six months ended 30 June 2011, the Group recorded a gross profit of approximately HK$2,048.9 million, representing an increase of approximately 52 times, as compared to the six months ended 30 June 2010. Profit attributable to equity shareholders of the Company for the six months ended 30 June 2011 amounted to approximately HK$562.7 million, as compared with a loss of approximately HK$53.4 million for the six months ended 30 June 2010. Basic earnings per share for the six months ended 30 June 2011 was approximately HK63.35 cents (for the six months ended 30 June 2010: loss per share of approximately HK7.13 cents).

Review of Business for the six months ended 30 June 2011

(1) Contracted Sales

For the six months ended 30 June 2011, the total contracted saleable gross floor area ("GFA") sold amounted to 126,687 sq.m. (for the six months ended 30 June 2010: 130,550 sq.m.) with total contracted sales of approximately RMB2,187.2 million (equivalent to approximately HK$2,599.8 million) (for the six months ended 30 June 2010: approximately RMB1,832.4 million (equivalent to approximately HK$2,094.4 million)). For the period from 1 January 2011 to 19 August 2011, the Group has achieved contracted sales of approximately RMB3,304.5 million (equivalent to approximately HK$3,927.9 million) with contracted saleable GFA of 198,799 sq.m..

The breakdown of the total contracted saleable GFA and the total contracted sales of the Group during the six months ended 30 June 2011 is set out as follows:

City	**Project/Phase of Project**	**Contracted Saleable GFA**		**Contracted Sales**		
		sq.m.	*%*	*RMB million*	*Equivalent to approximately HK$ million*	*%*
Shenzhen	Shenzhen Hidden Valley Phase 1	646	0.5	30.3	36.0	1.4
	The Spring Land Phase 1	328	0.3	6.8	8.1	0.3
	The Spring Land Phase 2	3,320	2.6	75.4	89.7	3.5
	The Spring Land Phase 3	74,854	59.1	1,552.7	1,845.5	71.0
Changzhou	Changzhou Landmark Phase 3	218	0.2	2.0	2.4	0.1
	Changzhou Landmark Phase 4	6,867	5.4	99.8	118.7	4.5
	Changzhou Le Leman City Phase 1	243	0.2	1.3	1.6	0.1
	Changzhou Le Leman City Phase 2	655	0.5	3.4	4.0	0.2
	Changzhou Le Leman City Phase 3	7,589	6.0	93.0	110.6	4.2
	Changzhou Le Leman City Phase 4	14,658	11.6	146.9	174.6	6.7
	Changzhou Le Leman City Phase 5	13,106	10.3	106.8	126.9	4.9
	Changzhou Le Leman City Phase 6	4,203	3.3	68.8	81.7	3.1
Total		126,687	100	2,187.2	2,599.8	100

(2) Projects Completed, Delivered and Booked in the six months ended 30 June 2011

For the six months ended 30 June 2011, the Group completed construction of The Spring Land Phase 2 and Shenzhen Hidden Valley Phase 4 with total saleable/leasable GFA of approximately 113,957 sq.m..

For the six months ended 30 June 2011, the Group's property development business achieved a turnover of approximately HK$2,985.1 million with saleable GFA of approximately 110,889 sq.m. being recognized, representing approximately 24 times and 10 times, respectively, over the six months ended 30 June 2010. In addition, the Group's gross profit margin and gross profit rose substantially by approximately 47 percentage points and HK$2,010.5 million, respectively, mainly due to the rise in proportion of sale of high margin properties, in particular our Shenzhen Hidden Valley and The Spring Land, being recognized in the six months ended 30 June 2011.

Details of the projects and sale of properties of the Group recognised in the six months ended 30 June 2011 are listed below:

Project/Phase of Project	**Sale of Properties** *HK$ million*	**Saleable GFA Booked** *sq.m.*
Shenzhen Hidden Valley		
– Phase 1	34.1	646
– Phase 3	26.5	314
– Phase 4	691.7	9,812
The Spring Land		
– Phase 1	18.6	756
– Phase 2	2,132.7	92,887
Changzhou Landmark	3.5	219
Changzhou Le Leman City		
– Phase 1	1.3	210
– Phase 2	3.8	659
– Phase 3	73.4	5,386
Shenzhen Water Flower Garden *(Note)*	(0.5)	–
Total	2,985.1	110,889

Note: The amount represents a sale return of a unit of car park.

(3) Investment Properties

In addition to the sale of properties developed by us, we also lease out or expect to lease out the retail units in Changzhou Landmark, Dongguan Landmark, Hangzhou Landmark, Shenzhen Water Flower Garden and Chengdu Landmark in the PRC. As at 30 June 2011, the retail units which we held for the purpose of leasing to third parties had a leasable GFA of approximately 165,937 sq.m., of which investment properties under operation with a leasable GFA of approximately 127,412 sq.m. had a fair value of approximately HK$2,227.4 million. Chengdu Landmark, with a cost of approximately HK$102.1 million and a leasable GFA of approximately 38,525 sq.m. as at 30 June 2011, did not record its fair value in the consolidated financial statements because this project was still at an initial stage and its fair value could not be reliably determined.

We carefully plan and select tenants based on factors such as the project's overall positioning, market demand in surrounding areas, market levels of rent and development needs of tenants. We attract large-scale anchor tenants which assist us in enhancing the value of our projects. We enter into longer and more favourable lease contracts with well-known brands, chain cinema operators, major game centers and top operators of catering businesses. As at 30 June 2011, the GFA taken up by our anchor tenants made up approximately 28% of our total leasable area in our investment properties.

For the six months ended 30 June 2011, we generated steady recurring rental income of approximately HK$50.5 million, representing an increase of approximately 28%, from approximately HK$39.6 million for the six months ended 30 June 2010. Excluding the shopping mall of Chengdu Landmark which is under construction, the occupancy rate of all our investment properties achieved 100% as at 30 June 2011.

Investment Property	**Leasable GFA**	**Rental Income**	**Occupancy Rate as at 30 June 2011**
	sq.m.	*HK$ million*	*%*
Changzhou Landmark (Phases 1 and 2)	77,581	28.1	100
Dongguan Landmark	20,172	7.1	100
Hangzhou Landmark	24,667	9.4	100
Shenzhen Water Flower Garden (Retail assets)	4,992	5.9	100
Chengdu Landmark *(Note)*	38,525	–	–
Total	165,937	50.5	

Note: The construction of Chengdu Landmark is scheduled to be completed in 2012.

(4) *Land Bank*

As at 30 June 2011, the Group had a total of 13 projects in various stages of development, including a net saleable/leasable GFA of approximately 212,861 sq.m. of completed property developments, a net saleable/leasable GFA of approximately 627,802 sq.m. under development, a net saleable/leasable GFA of approximately 3,151,597 sq.m. held for future development and a net saleable/leasable GFA of approximately 785,808 sq.m. contracted to be acquired, totalling a net saleable/leasable GFA of approximately 4,778,068 sq.m..

Project no.	City	Project	Type of Property	Net Saleable/ Leasable GFA *sq.m.*	Interest Attributable to the Group *%*
Completed Projects					
1	Shenzhen	Shenzhen Hidden Valley Phase 1	Residential	2,662	100
1	Shenzhen	Shenzhen Hidden Valley Phase 2	Residential	682	100
1	Shenzhen	Shenzhen Hidden Valley Phase 3	Residential	4,939	100
1	Shenzhen	Shenzhen Hidden Valley Phase 4	Residential	5,049	100
2	Shenzhen	The Spring Land Phase 1	Residential/ Commercial	4,893	100
2	Shenzhen	The Spring Land Phase 2	Residential	6,208	100
3	Shenzhen	Shenzhen Water Flower Garden (Retail assets)	Commercial	4,992	100
4	Changzhou	Changzhou Landmark Phase 1	Commercial	46,627	100
4	Changzhou	Changzhou Landmark Phase 2	Residential/ Commercial	31,663	100
4	Changzhou	Changzhou Landmark Phase 3	Residential/ Commercial	1,860	100
5	Changzhou	Changzhou Le Leman City Phase 1	Residential/ Commercial	576	100
5	Changzhou	Changzhou Le Leman City Phase 2	Residential/ Commercial	597	100
5	Changzhou	Changzhou Le Leman City Phase 3	Residential	4,998	100
5	Changzhou	Changzhou Le Leman City Phase 11 (Holiday-Inn Hotel)	Commercial/ Hotel	50,716	100
6	Dongguan	Dongguan Landmark	Residential/ Commercial	20,217	100
7	Hangzhou	Hangzhou Landmark	Commercial	26,182	100
Subtotal				**212,861**	

Project no.	City	Project	Type of Property	Net Saleable/ Leasable GFA	Interest Attributable to the Group
				sq.m.	*%*
Projects Under Development					
2	Shenzhen	The Spring Land Phase 3	Residential/ Commercial	138,912	100
4	Changzhou	Changzhou Landmark Phase 4	Residential/ Commercial	95,956	100
5	Changzhou	Changzhou Le Leman City Phase 4	Residential/ Commercial	103,921	100
5	Changzhou	Changzhou Le Leman City Phase 5	Residential/ Commercial	61,120	100
5	Changzhou	Changzhou Le Leman City Phase 6	Residential	31,098	100
5	Changzhou	Changzhou Le Leman City Phase 9	Residential/ Commercial	85,569	100
8	Chengdu	Chengdu Landmark	Commercial	111,226	100
Subtotal				**627,802**	
Held For Future Development					
2	Shenzhen	The Spring Land Phase 4	Residential/ Commercial	70,009	100
2	Shenzhen	The Spring Land Phase 5	Residential/ Commercial	56,900	100
2	Shenzhen	The Spring Land Phase 6	Residential/ Commercial	143,580	100
9	Shenzhen	Shenzhen Blue Bay	Residential	15,000	92
5	Changzhou	Changzhou Le Leman City Phase 7	Residential/ Commercial	197,387	100
5	Changzhou	Changzhou Le Leman City Phase 8	Residential/ Commercial	156,453	100
5	Changzhou	Changzhou Le Leman City Phase 10	Residential/ Commercial	115,600	100
10	Changzhou	Taihu Hidden Valley Phase 1	Residential	240,002	100
10	Changzhou	Taihu Hidden Valley Phase 2 (Partial)	Residential	53,852	100
11	Hangzhou	Hangzhou Hidden Valley	Residential	337,440	100
12	Tianjin	Tianjin Le Leman City	Residential/ Commercial	1,765,374	40
Subtotal				**3,151,597**	

Project no.	City	Project	Type of Property	Net Saleable/ Leasable GFA	Interest Attributable to the Group
				sq.m.	*%*
Contracted To Be Acquired					
10	Changzhou	Taihu Hidden Valley Phases 2 (Partial) & 3	Residential	N/A	100
12	Tianjin	Tianjin Le Leman City	Residential/ Commercial/ Logistics	N/A	40
13	Shenzhen	Shenzhen Landmark	Residential/ Commercial	785,808	100
Subtotal				**785,808**	
TOTAL				**4,778,068**	

Details of the projects acquired from 1 January 2011 to the date of this announcement are set out below:

Land reserves acquired from 1 January 2011 to the date of this announcement

City	Project	Total Consideration	Site Area	Plot Ratio GFA	Average Cost	Interest Attributable to the Group
		RMB'000	*sq.m.*	*sq.m.*	*RMB per sq.m.*	*%*
Changzhou	Taihu Hidden Valley Phase 2[1]	97,628	66,666	79,999	1,220.4	100
Tianjin	Tianjin Le Leman City[2]					
	– held by 天津海吉星農產品物流有限公司 (Tianjin Hyperion Agricultural Products Logistics Co., Ltd.*)	175,900	711,759	1,098,038	160.2	40
	– held by 天津海吉星投資發展有限公司 (Tianjin Hyperion Investment Development Co., Ltd.*) and 天津海吉星建設有限公司 (Tianjin Hyperion Construction Co., Ltd.*)	400,600	333,668	667,336	600.3	58
Huizhou	Huizhou Waterfront Project[3]	453,379	254,655	509,310	890.2	100
Total		1,127,507	1,366,748	2,354,683	478.7	

Notes:

(1) In February 2011, the Group entered into a land grant contract for one of the parcels of land for Taihu Hidden Valley Phase 2 with a site area of 44,877 sq.m. at a consideration of RMB68.2 million. We have obtained the land use rights certificate for that parcel of land in March 2011.

In July 2011, the Group entered into a land grant contract for one of the parcels of land for Taihu Hidden Valley Phase 2 with a site area of 21,789 sq.m. at a consideration of RMB29.4 million. We have obtained the land use rights certificate for that parcel of land in August 2011.

(2) 天津海吉星農產品物流有限公司 (Tianjin Hyperion Agricultural Products Logistics Co., Ltd.*), 天津海吉星投資發展有限公司 (Tianjin Hyperion Investment Development Co., Ltd.*) and 天津海吉星建設有限公司 (Tianjin Hyperion Construction Co., Ltd.*), in each of which the Group had a 40% equity interest, entered into land grant contracts for ten parcels of land in Tianjin with a total site area of 1,045,427 sq.m. during the six months ended 30 June 2011. As at the date of this announcement, land use rights certificates for such parcels of land have not been granted. In August 2011, the Group separately acquired the entire interest of two investment holding companies, at consideration of approximately RMB2,214,000 and RMB478,000 respectively, which hold in aggregate 18% equity interest in each of 天津海吉星投資發展有限公司 (Tianjin Hyperion Investment Development Co., Ltd.*) and 天津海吉星建設有限公司 (Tianjin Hyperion Construction Co., Ltd.*) ("two Tianjin Companies"). As a result, the Group's equity interest in the two Tianjin Companies increased from 40% to 58% and they became subsidiaries of the Company.

(3) In August 2011, the Group entered into an agreement to acquire the entire interest of two investment holding companies which wholly owned in total four parcels of land in Huizhou at a consideration of RMB453,379,180 (equivalent to approximately HK$553,122,600). For further information, please refer to the Company's announcement dated 16 August 2011.

We intend to continue to leverage our past experience in identifying land with investment potential at advantageous times and acquiring land reserves at relatively low cost. Moreover, we intend to continue to acquire low-cost land in locations with vibrant economies and strong growth potential.

(5) Expected Project Commencement and Completion in the second half of 2011

As at 30 June 2011, the Group had net saleable/leasable GFA of approximately 627,801 sq.m. under construction. During the second half of 2011, the Group commenced and intends to commence construction on three phases among three projects with a total net saleable/leasable GFA approximately of 426,842 sq.m..

Details of the projects with expected commencement of construction in the second half of 2011 are set out below:

City	**Project**	**Net Saleable/ Leasable GFA** *sq.m.*
Shenzhen	The Spring Land Phase 6	143,580
Changzhou	Changzhou Leman City Phase 7	197,387
Hangzhou	Hangzhou Hidden Valley	85,875
Total		426,842

The Group also intends to complete the construction on four phases among two projects with a total net saleable/leasable GFA of approximately 335,051 sq.m. in the second half of 2011.

Details of the projects with expected completion in the second half of 2011 are set out below:

City	Project	Net Saleable/ Leasable GFA
		sq.m.
Shenzhen	The Spring Land Phase 3	138,912
Changzhou	Changzhou Le Leman City Phase 4	103,921
Changzhou	Changzhou Le Leman City Phase 5	61,120
Changzhou	Changzhou Le Leman City Phase 6	31,098
Total		335,051

Business Review

In the first half of 2011, the Group was able to achieve outstanding results even in a tough market environment in respect of contracted sales, recognised profit and the improvement of financial structure. This proves the success of the strategies of "quality property is a gateway to quality living", "dual business line mode of medium & high-end residential and urban mixed use communities" and "land acquisition policy focusing on low land cost and high appreciation potential".

In the first half of 2011, the Group recorded contracted sales of approximately RMB2,187.2 million (equivalent to approximately HK$2,599.8 million), representing an increase of approximately 19% over the corresponding period of 2010. The contracted sales area was approximately 126,687 sq.m., representing a decrease of approximately 3% over the corresponding period of 2010. The average price of contracted sales was approximately HK$20,521 per sq.m., representing an increase of approximately 28% over the corresponding period of 2010. As of 19 August 2011, the Group recorded contracted sales of approximately RMB3,304.5 million (equivalent to approximately HK$3,927.9 million) with contracted sales area of 198,799 sq.m..

In particular, with the outstanding product quality, design innovation and brand reputation, the Group launched The Spring Land Phase 3 located in Shenzhen on 11 June 2011. 923 units, equaling approximately 86% of the total units of the project, were subscribed by the customers on the first day of launch and the subscription amount was almost RMB2 billion, which was extremely outstanding given that the "purchase restriction" policy was strictly implemented in Shenzhen. In addition, the Group ranked among the top 5 in total contracted sales in both Shenzhen and Changzhou where the main projects in sales were located in the first half of 2011.

The Group has recognised property sales of approximately HK$2,985.1 million, accounting for approximately 96% of the total turnover of approximately HK$3,103.1 million. The remaining 4% represented rental income, income from hotel operations, property management and other related income. As of 30 June 2011, unrecognised contracted sales of the Group was approximately HK$2,990.0 million, of which HK$2,330.0 million was expected to be recognised in the second half of 2011.

In respect of investment properties, rental income generated from the investment properties under operation (total leasable area of 127,412 sq.m.) in Changzhou, Dongguan, Hangzhou and Shenzhen increased by approximately 28% year-on-year to approximately HK$50.5 million, which was mainly due to the rising rent rate as a result of the optimization of tenant mix and average occupancy rate. As of 30 June 2011, the occupancy rate of the investment properties under operation was 100%. During the six months ended 2011, the fair value of the investment properties increased by approximately HK$30.0 million, net of deferred tax. As of 30 June 2011, the total carrying amount of the investment properties of the Group was approximately HK$2,329.5 million. Of which, the carrying amount of the investment properties under operation was stated in fair value and the amount was approximately HK$2,227.4 million. Other investment property was still in the early stage of development and the value stated at cost was approximately HK$102.1 million.

In the first half of 2011, the Group acquired commercial, logistic and residential lands in Tianjin and Changzhou respectively. The total plot ratio GFA of new land bank was approximately 1,819,000 sq.m. and the average cost was approximately RMB354 per sq.m..

As of 30 June 2011, the saleable/leasable GFA under construction of the Group was approximately 627,802 sq.m., representing an increase of approximately 15% as compared to the area as of 31 December 2010.

In the first half of 2011, the saleable/leasable GFA completion of the Group was approximately 113,957 sq.m.. The Group planned to complete saleable/leasable GFA of approximately 449,008 sq.m. in full year 2011. As of 19 August 2011, approximately 85% of the saleable/leasable GFA of the Group planned to be completed in 2011 has been pre-sold.

During the period under review, shares of the Company have been successfully listed on the Stock Exchange in March 2011 and the net proceeds of the IPO was approximately HK$1,419.4 million, net of underwriting fees and the expenses for the Company's IPO. Meanwhile, the Group has received the continuous support from various domestic banks despite the tight credit environment. As of 19 August 2011, the Group has secured more than 70% of the domestic bank financing planned for full year 2011, which has strengthened the Group's working capital base. As of 30 June 2011, the total cash and bank balances held by the Group amounted to approximately HK$7,022.1 million, the bank and other loans held by the Group amounted to approximately HK$8,156.9 million while the net gearing ratio was only 39%.

Future Outlook

Looking ahead, we expect that the Chinese Government will continue to implement a proactive fiscal policy and a prudent monetary policy. We are of the view that a series of control measures including "purchase restriction" and "credit limit" to curb the excessive growth of housing prices issued by the Chinese Government before will also continue to be in force. Meanwhile, "purchase restriction" is more likely to be expanded to some second and third tier cities where housing prices rise relatively rapidly. Although the Chinese Government's control policies on property industry could become the norm and that the fluctuation in global economic and financial market brought by the European sovereign debt crisis and downgraded American sovereign (credit) rating may also introduce changes to the domestic property market, we are however confident of the medium- to long-term development of the Chinese property market, as we believe residential and commercial property market will benefit from the urbanization trend and strong demand for improved housing and continued growth in household consumption. We will identify opportunities to acquire more quality land.

The Group will launch brand new projects including Chengdu Landmark and Hangzhou Hidden Valley, two new phases of Changzhou Le Leman City, and residual residential units from Shenzhen Hidden Valley, The Spring Land, Changzhou Le Leman City and Changzhou Landmark in the second half of 2011. As our properties available-for-sale in the second half of 2011 are not impacted by the current "purchase restriction", we expect launching the sales of these projects will further increase the Group's contracted sales and raise the Group's brand awareness and market shares.

For the land bank expansion, we are of the view that quality investment opportunities will arise in the second half of the year. Under the guiding principle of sound financial condition, the Group will prudently and actively acquire quality, cost-effective land bank in the regions of Pearl River Delta, Yangtze River Delta Regions, Beijing-Tianjin and Chengdu-Chongqing regions and continue to focus on the development sales and operation of medium and high-end residential and urban communities. In July and August of 2011, the Group acquired additional land bank in cities including Changzhou and Huizhou amounting to approximately 535,000 square meters in terms of plot ratio GFA and the average cost is approximately RMB900 per square meter. As at 19 August 2011, the Group had a total net saleable/leaseable land bank of approximately 5,314,000 square meters, with an average cost approximately RMB1,400 land bank of square meter.

In the second half of 2011, the Group will adhere to its mission "quality property is a gateway to quality living", and continue to enhance its product quality and brand awareness. For operation and management, the Group will seek to arouse the staff's enthusiasm, improve operational efficiency, enhance corporate governance and broaden financing channels at home and abroad to further consolidate its financial strength, in order to improve the Group's self-advantages and competitiveness in the challenging market and achieve a multi-win-win situation among the Group, customers, shareholders, partners and employees. In order to further improve the management capability, the Group has appointed a new Chief Operating Officer from the senior management team who processes comprehensive professional knowledge and good execution capability. Meanwhile, the Company has also internally appointed a new executive Director and recruited an additional non-executive Director from outside to enhance the Group's stability and sense of forward-looking when it formulates its business strategies. The Company now has a total of ten Board of Directors.

FINANCIAL REVIEW

Turnover

Turnover represents income from sale of properties, rental income, income from hotel operations and income from provision of property management and related services income earned during the period, net of business tax and other sales related taxes and discounts allowed.

Our turnover increased by approximately 14 times, to approximately HK$3,103.1 million for the six months ended 30 June 2011 from approximately HK$204.4 million for the six months ended 30 June 2010. This increase was primarily attributable to an overall increase in our sale of properties, rental income, income from hotel operations and property management and related services income.

Turnover from sale of properties increased primarily due to an increase in total saleable GFA sold and delivered, from approximately 9,781 sq.m. (excluding car parks) in the six months ended 30 June 2010 to approximately 110,889 sq.m. (excluding car parks) for the six months ended 30 June 2011. The increase in total saleable GFA sold and delivered was in turn primarily driven by the higher scheduled deliveries of pre-sold properties for our Shenzhen projects, namely the Spring Land and Shenzhen Hidden Valley, for the six months ended 30 June 2011. Rental income increased primarily due to an increase in the rent rate and average occupancy rate of our investment properties for the six months ended 30 June 2011. Income from hotel operations increased mainly due to an increase in both the average room rate and the income from the food and beverage sector of our hotel property. As a result of an increase in the leased GFA of our investment properties and sold and delivered GFA of our residential properties, the property management and related service income also increased.

Direct costs

The principal component of direct costs is the cost of completed properties sold, which consists of land premium, construction and other development costs, capitalized borrowing costs during the construction period, the cost of rental income, the cost of hotel operations and the cost of property management and related services. We recognize the cost of completed properties sold for a given period to the extent that revenue from such properties has been recognized in such period.

Our direct costs increased to approximately HK$1,054.2 million for the six months ended 30 June 2011 from approximately HK$166.0 million for the six months ended 30 June 2010. This increase was primarily attributable to more sales of our properties recognised for the six months ended 30 June 2011.

Gross profit

Our gross profit increased by approximately 52 times, to approximately HK$2,048.9 million for the six months ended 30 June 2011 from approximately HK$38.4 million for the six months ended 30 June 2010. The increase in gross profit was primarily attributable to the higher average selling price and higher gross margin of our Shenzhen projects, in particular for Shenzhen Hidden Valley Phase 4 and The Spring Land Phase 2, which were pre-sold in 2010. The Group reported a gross profit margin of approximately 66% for the six months ended 30 June 2011 as compared to approximately 19% for the six months ended 30 June 2010.

Other revenue

Other revenue increased by approximately 3.9 times, to approximately HK$21.6 million for the six months ended 30 June 2011 from approximately HK$4.4 million for the six months ended 30 June 2010. The increase was primarily attributable to an increase in bank interest income by approximately HK$16.2 million.

Other net (loss)/income

Other net income decreased by approximately HK$63.6 million from a net gain of approximately HK$61.9 million for the six months ended 30 June 2010 to a net loss of HK$1.7 million for the six months ended 30 June 2011. The decrease was primarily attributable to the one-off net gain on disposal of a subsidiary in the amount of approximately HK$64.5 million recorded in the six months ended 30 June 2010.

Selling and marketing expenses

Selling and marketing expenses increased by approximately 1.2 times, to approximately HK$83.5 million for the six months ended 30 June 2011 from approximately HK$38.4 million for the six months ended 30 June 2010. The increase was primarily attributable to the large-scale pre-sale advertising activities we undertook in relation to The Spring Land Phase 3, Chengdu Landmark, Changzhou Landmark Phase 4 and Changzhou Le Leman City Phases 7 and 9.

Administrative expenses

Administrative expenses increased by approximately 1.1 times, to approximately HK$195.6 million for the six months ended 30 June 2011 from approximately HK$93.8 million for the six months ended 30 June 2010. The increase was mainly due to an increase in our administrative headcount, in order to cope with the expansion of our operation, resulting in an increase in the salaries of our administrative staff and the increase in legal and professional fees.

Valuation gains on investment properties

Valuation gains on investment properties increased by approximately 1.8 times, to approximately HK$40.0 million for the six months ended 30 June 2011 from approximately HK$14.3 million for the six months ended 30 June 2010. The increase was primarily attributable to the positive change in market value of our investment properties.

Finance costs

Finance costs increased by approximately 4.6 times, to approximately HK$115.7 million for the six months ended 30 June 2011 from approximately HK$20.5 million for the six months ended 30 June 2010. The increase was primarily attributable to our increased borrowings with interest expenses unqualified for capitalisation for the six months ended 30 June 2011 as compared to the corresponding period of 2010.

Profit/(loss) before taxation

As a result of the above, our profit before taxation increased by approximately HK$1,745.1 million to approximately HK$1,711.3 million for the six months ended 30 June 2011 from a loss of approximately HK$33.8 million for the six months ended 30 June 2010.

Income tax

Income tax expenses increased by approximately 62 times, to approximately HK$1,148.9 million for the six months ended 30 June 2011 from approximately HK$18.2 million for the six months ended 30 June 2010. The increase was mainly attributable to an increase in the profit for the six months ended 30 June 2011 and gross profit margin from the properties we sold in the six months ended 30 June 2011 resulting in an increase in the provision for CIT and LAT by approximately HK$493.5 million and HK$837.0 million respectively.

Non-controlling interests

The profit for the six months ended 30 June 2011 attributable to non-controlling interests decreased by approximately HK$1.8 million to a loss attributable to non-controlling interests of approximately HK$0.3 million for the six months ended 30 June 2011 from profit attributable to non-controlling interests of approximately HK$1.5 million for the six months ended 30 June 2010. The decrease was primarily due to a loss incurred by a non-wholly owned subsidiary attributable to the non-controlling interests in the six months ended 30 June 2011 whereas there was a profit by a non-wholly owned subsidiary attributable to non-controlling interests for the six months ended 30 June 2010. As at 30 June 2011, the non-controlling interests represented the 25% equity interest held by an independent third party in our Guangzhou Top Spring Water Flower Agriculture Ecological Park Co., Ltd. (廣州市萊蒙水榭農業生態園有限公司). As at 30 June 2010, the non-controlling interests represented the interests held by non-controlling shareholders in our Shenzhen SZITIC Property Development Co., Ltd..

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2011, the carrying amount of the Group's cash and bank deposits was approximately HK$7,022.1 million (as at 31 December 2010: approximately HK$5,213.5 million), representing an increase of approximately 35% as compared to that as at 31 December 2010.

For the six months ended 30 June 2011, the Group had net cash used in operating activities of approximately HK$1,191.1 million, net cash used in investing activities of approximately HK$23.2 million and net cash generated from financing activities of approximately HK$3,015.2 million.

Borrowings and charges on the Group's assets

The Group had an aggregate borrowings as at 30 June 2011 of approximately HK$8,156.9 million, of which approximately HK$2,644.8 million is repayable within 1 year, approximately HK$4,339.7 million is repayable after 1 year but within 5 years and approximately HK$1,172.4 million is repayable after 5 years. As at 30 June 2011, the Group's bank loans of approximately HK$5,715.5 million were secured by investment properties, hotel properties, properties under development for sale and pledged deposits of the Group with total carrying values of approximately HK$7,149.2 million. As at 30 June 2011, the Group's other loans of approximately HK$812.9 million were secured by equity interests in certain subsidiaries within the Group. The carrying amounts of all the Group's bank loans were denominated in Renminbi ("RMB") except for certain loan balances with an aggregate amount of approximately HK$1,304.4 million as at 30 June 2011 which were denominated in Hong Kong dollars.

Gearing ratio

The gearing ratio is calculated by dividing our net borrowings (total borrowings net of cash and cash equivalents and restricted and pledged deposits) by the total equity. Our gearing ratio for the six months ended 30 June 2011 and the year ended 31 December 2010 was approximately 39% and 151% respectively. The gearing ratio was significantly reduced after the listing of the Company's shares on the Stock Exchange on 23 March 2011.

Foreign exchange risk

As at 30 June 2011, the Group had cash balances denominated in RMB of approximately RMB4,114.6 million (equivalent to approximately HK$4,953.9 million), and in US dollars of approximately US$48.4 million (equivalent to approximately HK$377.0 million).

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The Group is exposed to foreign currency risk arising from the exposure of RMB against Hong Kong dollars as a result of its investment in the PRC and the settlement of certain of the general and administrative expenses in Hong Kong dollars. In addition, RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC government. We do not have a foreign currency hedging policy. However, the Directors monitor our foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting significant foreign currency hedging policy in the future.

CONTINGENT LIABILITIES

As at 30 June 2011, save for the guarantees of approximately HK$3,571.2 million given to financial institutions for mortgage loan facilities granted to purchasers of the Group's properties, the Group had no other material contingent liabilities as at 30 June 2011 (as at 31 December 2010: approximately HK$3,229.4 million).

Pursuant to the mortgage contracts, banks require us to guarantee our customers' mortgage loans until we complete the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to our purchasers. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any shortfall from us as the guarantor of the mortgage loan.

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

During the six months ended 30 June 2011, the Group did not have any material acquisitions or disposals of assets.

USE OF PROCEEDS FROM IPO

Trading of shares in the Company on the Stock Exchange commenced on 23 March 2011, and the Group raised net proceeds of approximately HK$1,419.4 million from the IPO. As at 30 June 2011, the Group had applied approximately HK$443.4 million of the net proceeds for acquisition of new projects for development in the PRC and approximately HK$11.2 million for general corporate and working capital purposes, which is in compliance with the intended use of proceeds as disclosed in the Prospectus.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2011, the Group employed a total of 1,076 employees (as at 31 December 2010: 939 employees) in the PRC and Hong Kong. Of them, 107 were under the headquarter team, 318 were under the property development division and 651 were under the retail operation and property management division. For the six months ended 30 June 2011, the total staff costs incurred was approximately HK$76.7 million (for the six months ended 30 June 2010: approximately HK$54.0 million). The remuneration of the employees was based on their performance, work experience, skills, knowledge and the prevailing market wage level. The Group remunerated the employees by means of basic salaries, cash bonus and equity settled share-based payment.

The Company adopted a pre-IPO share option scheme and a share award scheme on 2 December 2010 under which the Company granted share options and awarded shares to certain eligible employees, respectively. As at 30 June 2011, no share options had been exercised by the grantees and 2,474,999 share options had been cancelled upon the resignation of certain grantees under the pre-IPO share option scheme. The Company has also adopted a post-IPO share option scheme on 28 February 2011 for the purpose of recognising and acknowledging the contribution that eligible employees have made or may make to the Group. As at the date of this announcement, no share option has been granted by the Company under the post-IPO share option scheme.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK15 cents per share for the six months ended 30 June 2011 (for the six months ended 2010: nil) to shareholders whose names appear on the register of members of the Company on Monday, 19 September, 2011. The interim dividend will be payable on Tuesday, 4 October, 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 15 September 2011 to Monday, 19 September 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 September 2011.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date up to and including 30 June 2011.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Code") since its listing on the Stock Exchange on 23 March 2011 except for the following deviation:

Under Rule A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the period under review and up to the date of this announcement, Mr. Wong Chun Hong performed his duties as the chairman and the chief executive officer of the Company. The Board believes that the serving by the same individual as chairman and chief executive officer during the rapid development of the business is beneficial to the consistency of business plans and decision-making of the Company. The Board will continue to review the current management structure from time to time and shall make changes where appropriate and inform the investors of the Company accordingly.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct for securities transactions by the Directors. After having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the required standards set out in the Model Code and its code of conduct since the listing of the Company on the Stock Exchange on 23 March 2011.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Board has reviewed the accounting principles and practice adopted by the Group and has reviewed the interim results of the Group for the six months ended 30 June 2011. The audit committee of the Board comprises two of the independent non-executive Directors, namely Mr. Cheng Yuk Wo (Chairman) and Mr. Brooke Charles Nicholas, and one non-executive Director, Dr. McCabe Kevin Charles.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and at the website of the Company at www.topspring.com. The interim report will be despatched to the shareholders of the Company and available on the above websites in due course.

APPRECIATION

The development and results of the Group are greatly supported by its customers, shareholders, strategic partners and fully dedicated by its employees. On behalf of the Board, I would like to express my sincere gratitude to everyone.

By Order of the Board
TOP SPRING INTERNATIONAL HOLDINGS LIMITED
Wong Chun Hong
Chairman

Hong Kong, 23 August 2011

As at the date of this announcement, the executive directors of the Company are Mr. WONG Chun Hong, Ms. LI Yan Jie, Mr. LEE Sai Kai David and Mr. LAM Jim; the non-executive directors of the Company are Dr. McCABE Kevin Charles and the alternate director to Dr. McCABE Kevin Charles is Ms. THAM Qian, Mr. LI Zhi Zheng and Mr. ZHANG Yi Jun; and the independent non-executive directors of the Company are Mr. BROOKE Charles Nicholas, Mr. CHENG Yuk Wo and Professor WU Si Zong.